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JUL 11 2001

DIVISION OF
OIL, GAS AND MINING

Mr. Lowell P. Braxton, Director
Utah Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Re: Tentative Decision to Approve
Blue Castle Mine
M/015/077
Emery County, Utah

Dear Mr. Braxton:

Please find enclosed suggested changes to the Draft Public Notice and Technical Assessment for the Blue Castle Large Mining Plan. The changes we are providing are based on the agreements reached on the 4/19/01 site visit and the subsequent resubmittal of the Mine Plan. Following is a list of each suggested change and the reason for such:

1- Notice of Tentative Decision to Approve

a. After Operations:

- (1) Suggested Change: Replace "composted manure at the rate of 10 tons/acre" with "upgraded to at least original quality".

Reason: During the on-site meeting, it was made very clear that GoldTerra did not intend to create a new soils type on the property by adding 10 ton/acre of composted manure. This can be verified by checking with Mr. Dean Nyffeler of the B.L.M. I'm also sure Mr. Tony Gallegos of the Division will verify this. GoldTerra did commit to testing the soil prior to redistribution, and upgrading the soil, if necessary, to at least the quality of the original soil. This would include fertilization and/or addition of organics as necessary.

- (2) Suggested Change: Eliminate the entire sentence "The proposed final pit configuration will create a 49.9 acre floor; because soil is only available for a 10.48 acre portion of this area, the remainder of the pit floor will receive only composted manure at a rate of 10 tons/acre then be ripped and seeded".

Reason: Once again, during the on-site meeting and the subsequent plan revision, it was determined that soil replacement, ripping and seeding would occur only on those areas where the acceptable soils occurred (Units R, A₂ and TLX). Available soils/boulders from map unit Sn, which is the "remaining 111.57 acres of the mining area" as indicated in your draft decision, would be salvaged and replaced as possible during the mining process. No seeding or other preparation or soil enhancement would be done on the salvaged material from this map unit. The extent of that map unit is clearly shown in the "Soils Report" (Appendix 2) of the Mine Plan. The reclamation plan, as discussed on-site, is shown on Plate IV of the Mine Plan.

An additional reason for eliminating this sentence is the fact that the referenced "pit floor" of 49.9 acres will be basically solid rock after mining. Topsoil will be saved and respread over 10.48 acres of this area, but not on the remainder. To add composted manure and try to rip this hard, unweathered shale to create a seed bed is beyond any agreements reached during our discussions. The agreement was to salvage and replace the pockets of soils/boulders within this soils type (without seeding) to attempt to re-create the existing condition as nearly as possible.

2- Executive Summary

a. Surety:

(1) Suggested Change: Change "\$390,200" to "\$222,600".

Reason: The Division surety amount is based on 72.6 acres of reclaimed area. Even if the pit floor of 49.9 acres is considered, the overall total should be no more than 51.10 acres, since the 10.48 acres of the mining area slated for topsoil replacement is included in the 49.9 acres. This would result in a maximum of 51.1 acres for the surety calculations (11.68 ac. millsite + 10.48 ac. mining + 49.9 ac. pit floor - 10.48 ac. mining). Since the remainder of the pit floor reclamation cost should not be considered (as agreed on-site), the actual area to be considered in the bonding should be 24.04 acres as presented in the plan (11.68 ac. millsite + 10.48 ac.

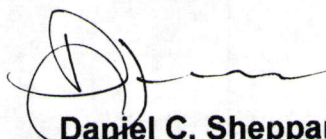
mining + 1.88 ac. small mine plan). The proposed \$222,600 surety represents applicable figures supplied by the Division, using the 24.04 acres for proposed reclamation.

In summary, the information presented in the Executive Summary and the Draft Notice of Tentative Decision to Approve is inconsistent with that agreed upon during the 4/19/01 on-site meeting and subsequent submittal of the revised plan. This is extremely frustrating for 2 reasons:

- (1) None of the proposed differences were discussed with GoldTerra or Blackhawk Engineering since the on-site and revised plan submittal, leading us to believe the plan would be approved as written, and
- (2) These differences, which were the main reason for the previous delays on approval, were supposedly resolved during the on-site meeting. Their resurrection at this late date does nothing more than further delay a tentative approval of a plan which was originally submitted to the Division on 12/8/99, some 19 months ago!

We would very much appreciate your timely review of our suggested changes. Please let us know of your decision as soon as possible.

Sincerely,



Daniel C. Sheppard
President

cc: Wayne Hedberg UDOGM
Dan Guy Blackhawk Engineering
Pruitt, Gushee & Bachtell
File

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BEFORE THE DIVISION OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

---ooOoo---

IN THE MATTER OF TENTATIVE
DECISION TO APPROVE A LARGE
MINING AND RECLAMATION PLAN
FOR GOLDTERRA, INC.'S
BLUE CASTLE MINE
EMERY, COUNTY, UTAH

NOTICE OF TENTATIVE
DECISION TO APPROVE

NO. M/015/077

---ooOoo---

THE STATE OF UTAH TO ALL OPERATORS, TAKERS OF PRODUCTION,
MINERAL AND ROYALTY OWNERS, AND PARTICULARLY ALL PERSONS
INTERESTED IN SECTION 29, TOWNSHIP 16 SOUTH, RANGE 14 EAST, SLBM,
EMERY COUNTY, UTAH.

Notice is hereby given by the Division of Oil, Gas and Mining of its tentative decision to approve the Large Mining Operations Notice of Intention for GoldTerra, Inc.'s Blue Castle Mine. Mining activities will affect the following area: E 1/2 Section 29, Township 16 South, Range 14 East, SLBM, Emery County, Utah.

GoldTerra, Inc. has submitted a permit application to expand an existing small mining project to a large mining operation. The operator will employ the following mining and reclamation techniques on approximately 135.56 acres of federal land.

During Operations: Open pit mining of the Mancos Shale will be accomplished using a loader and 15 ton haul-trucks. Material will be mined and hauled to the processing site where it will be crushed and stockpiled prior to removal offsite for further processing. Material will be mined beginning the first year at a rate of 500 tons/day and graduating to a rate of 5000 tons/day after year six and continuing at this level through the life of the mine. Mining will take place on a year round basis.

After Operations: Reclamation of the millsite (11.68 acres) will include regrading of the area, ripping of the compacted areas, spreading of 12 inches of soil, ^{upgraded to at least original quality} composted manure at the rate of 10 tons/acre followed by ripping and seeding. The haulroad to the minesite and a portion of the mine (total of 10.48 acres) will receive 8 inches of soil, ^{upgraded to at least original quality} composted manure at the rate of 10 tons/acre followed by ripping and seeding. The remaining 111.57 acres of the mining area has only small amounts of soil material and a large amount of boulders on the slopes. Efforts will be made during mining to replace the soils and boulders to the extent practical. As terraces are

developed during mining these soils and boulders will be spread on the terrace. Since the soils will contain any existing vegetation for a seed source and will be respread in a relatively short time after stripping, there are no plans to reseed the mine terraces unless it is otherwise required by the regulatory agencies. The proposed final pit configuration will create a 49.9 acre floor; because soil is only available for a 10.48 acre portion of this area, the remainder of the pit floor will receive only composted manure at a rate of 10 tons/acre then be ripped and seeded. GoldTerra's five acre SMO has been included within the larger mining plan. The small mine will be operated until the large mine plan is approved. The SMO load-out and access road (1.83 acres) will be reclaimed when they are no longer needed. The remaining 3.12 acre portion of the SMO has been included in the large mine plan.

The person representing the company is Mr. Daniel C. Sheppard; Phone (435) 636-8888. GoldTerra, Inc. is fulfilling obligations under the Utah Mined Land Reclamation Act of 1975, Utah Code Ann. §40-8-18.

Any person or agency aggrieved by this tentative decision to issue approval is hereby requested to submit written protest within thirty (30) days of the date of publication to Mary Ann Wright, Associate Director of Mining, Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Box 145801, Salt Lake City, Utah 84114-5801, setting forth factual reasons for the complaint. If no responsive written protests are received by the Division within 30 days after the last date of publication, the tentative decision of the Division will be final.

DATED THIS _____ day of _____, 2001

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

Lowell P. Braxton
Director

EXECUTIVE SUMMARY

Prepared June 8, 2001

Mine Plan and Notice submitted: May 23, 2001

Mine Name: Blue Castle Mine
Operator: GoldTerra Inc.
Address: 4088 East Airport Road
Price, Utah 84501

Telephone: (435) 636-8888 FAX (435) 637-3104
Contact Person: Daniel C. Sheppard
Life of Mine: 10 Years +

Legal Description: E1/2, Sec 29, T16S, R14E, SLBMMineral(s) to be Mined: GoldAcres to be Disturbed: 135.56 AcresPresent Land Use: Stock Grazing/WildlifePostmining Land Use: Stock Grazing/Wildlife

Variances from Reclamation Standards (Rule R647) Granted: The naturally barren Mancos Shale slopes and mine terraces will not be reseeded. Due to the harsh site conditions, a variance for the 3 year requirement to attain the 70% revegetation standard in the area of approximately 22.16 acres of the mine that will be seeded and receive soils, as identified on the Reclamation Map. Because the remainder of the mine, approximately 113.4 acres, is located in barren Mancos Shale slopes that contain minimal vegetation, no revegetation standard will be applied. Also no vegetation standard will be applied to the 49.9 acres of pit floor, formed during mining, that is scheduled to be ripped and seeded upon closure.

Soils & Geology:

Soil Description: Approximately 1/4 of the lower facilities area are located within the Ravola-Toddler Complex. In this area 12" of soil will be harvested and stored for reclamation. The upper 1/2 of the facilities area, haulroad and approximately 10.02 acres of the proposed pit is located in a different, but similar soils type - the loamy-skeletal, mixed calcareous, messic type torrifluvents. In this area 8" of soil will be harvested and stored for reclamation. These areas are identified on the Reclamation Map.

pH: 7.3 to 7.7

Special Handling Problems: A large portion of the mine area is located within soils type Greybull-Uraline-Persazo complex and the Badland-Rubbleland-Rock outcrop complex. Soils within this unit are spotty and exhibit suitable topsoil qualities in only the portion from 0" to 4". Below that the soil is considered poor, being high in salts and selenium and very stony. These soils are present in a very thin veneer or in isolated pockets, associated with large boulders on hillside. Soils and boulders in this area will be salvaged and respread on the pit benches to the extent practical.

Geology Description: The mine site, ore and soils, occurs in Mancos Shale, which is in Blue Castle member formed during the Cretaceous Age. This mine will produce no overburden, as the ore occurs on surface. As a result, soil harvested at this site will be limited.

Hydrology

Ground Water Description: The water table in this area is presently unknown. Ground water has not been encountered in the small mine operation and no ground water is found in the area. Therefore no effects to ground water by this

operation is anticipated.

Surface Water Description: The minesite is located between two large intermittent drainages - Coleman Wash on the west and Grassy Wash on the east. One ephemeral drainage bisects the proposed minesite running from north to south. The only runoff anticipated at the site will be from direct rainfall or snowmelt.

Water Monitoring Plan: None required

Ecology

Vegetation Type(s); Dominant Species: The site vegetation grades from a snakegrass/grass community at the processing area through bare Mancos Shale slopes with some grasses and shrubs on the lower slopes to a Pinion/Juniper community on the upper slopes of the site.

Percent Surrounding Vegetative Cover: The site vegetation ranges from 0% on the bare Mancos Shale slopes to 35% on the processing area/lower pit areas.

Wildlife Concerns: None

Surface Facilities: The processing site will contain an office/lunchroom trailer with facilities, and a guard trailer. Also a trailer containing a generator to power support facilities and crushing and screening operations with fuel and water tanks within the processing site area. All crushing, mining equipment and support facilities will be portable and easily removed from the site.

Mining and Reclamation Plan Summary:

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Surety

Amount: ~~\$390,200~~ ^{\$}222,600

Form: Unknown at this time

Renewable Term: 2006 Dollars